



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HART COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	8
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Terry Shelton, County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Hart County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Terry Shelton, County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have Published An Annual Settlement

In accordance with Government Auditing Standards, we have also issued a report dated August 27, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 27, 1999

HART COUNTY
JEFF STAPLES, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

Federal Grants		\$	23,438
Federal Fees For Services			11,312
State Grants			6,843
State Fees For Services:			
Finance and Administration Cabinet	\$	12,380	
Cabinet for Human Resources		<u>4,924</u>	17,304
Circuit Court Clerk:			
Sheriff Security Service	\$	10,842	
Fines and Fees Collected		<u>7,329</u>	18,171
Fiscal Court:			
Program Support and Training	\$	26,520	
Social Security		13,383	
Prior Year Excess Fees		<u>12,513</u>	52,416
County Clerk - Delinquent Taxes			2,942
Commissions On Taxes Collected			124,207
Fees Collected For Services:			
Auto Inspections	\$	3,655	
Accident and Police Reports		506	
Serving Papers		8,690	
Carrying Concealed Deadly Weapon Permits		2,780	
Court Monitoring		1,429	
Drug Awareness Resistance Education - Donation		740	
Transporting Prisoners		712	
Vending Commission		608	
Miscellaneous		<u>144</u>	19,264
Interest Earned			3,507
Borrowed Money:			
State Advancement			<u>60,000</u>
Gross Receipts (Carried Forward)	\$		339,404

HART COUNTY
 JEFF STAPLES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Brought Forward)	\$ 339,404
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Disbursements

Operating Disbursements and Capital Outlay:

Payments to State-

Carrying Concealed Deadly Weapon Permits	\$ 1,855
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Personnel Services-

Deputies' Gross Salaries	138,006
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Employee Benefits-

Employer's Share Social Security	13,705
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Employer's Share Retirement - KLEFPF	520
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Contracted Services-

Advertising	3,440
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Telephone	2,342
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Materials and Supplies-

Office Materials and Supplies	5,115
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Auto Expense-

Mileage	23,998
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Transport	5,047
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Other Charges-

Conventions and Travel	1,408
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Court Monitoring	715
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Dues	692
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Postage	3,396
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Miscellaneous	454
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Capital Outlay-

Law Enforcement Equipment	1,338
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Debt Service:

State Advancement	60,000
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Total Disbursements	262,031
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Net Receipts	\$ 77,373
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Less:

Statutory Maximum	\$ 48,726
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Credit Allowed By Fiscal Court (Note 5)	28,647	77,373
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Balance Due at Completion of Audit	\$ 0
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The accompanying notes are an integral part of the financial statement.

HART COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Grants

In 1996, the Sheriff was awarded a grant under the Police Hiring Supplemental Program from the Department of Justice in the amount of \$95,808 to be expended over three years. During calendar year 1998, the Sheriff received funds totaling \$23,438 and spent funds totaling \$23,928. The unexpended grant balance as of December 31, 1998, was \$24,524.

Note 5. Credit Allowed By Fiscal Court

As of August 19, 1999, the fiscal court approved the Sheriff's request to retain excess fees for 1998. The order stated, a motion by Franklin Turner and seconded by Jim Stewart ordered by Court to approve sheriff retaining excess fees of \$28,647. These excess fees will be accounted for in the 1999 Sheriff fee audit.

Note 6. Drug Fund

The Hart County Sheriff's office established a drug fund with funds received as the result of a drug investigation. These funds are to be used for drug enforcement and drug education. The drug fund balance as of January 1, 1998, was \$3,261. During 1998, there were receipts of \$3,683 and disbursements of \$6,435. The drug fund had a balance of \$509 as of December 31, 1998.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 7. Special Fund

The Hart County Sheriff's office established a special fund for the sale of calendars. The special fund balance as of January 1, 1998, was \$1,128. During 1998, there were receipts of \$1,195 and disbursements of \$819. As of December 31, 1998, the special fund had a balance of \$1,504.

HART COUNTY
JEFF STAPLES, SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1998

The Sheriff Should Have Published An Annual Settlement

Sheriff Staples presented his annual fee settlement to fiscal court, but did not publish the settlement in accordance with KRS 424.220. This statute requires the excess fee financial statement be published within 60 days after the end of the calendar year. We recommend the Sheriff comply with this statute by publishing an annual settlement within the proper time period.

Management's Response:

I understand.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

The following comment has not been corrected and is repeated in the current audit:

- Sheriff did not publish his annual financial statement within 60 days after close of the year.

The Sheriff corrected the following prior year problem in his operations:

- Quarterly reports were submitted timely to Department for Local Government.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Terry Shelton, County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hart County Sheriff as of December 31, 1998, and have issued our report thereon dated August 27, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hart County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hart County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Terry Shelton, County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 27, 1999

